

AMENDMENT TO
RULES COMMITTEE PRINT 112-24
OFFERED BY MR. MCGOVERN OF
MASSACHUSETTS

At the end of title I (page 6, after line 11) insert the following:

1 SEC. ____ . REPEAL OF FOSSIL FUEL SUBSIDIES FOR LARGE
2 OIL COMPANIES.

3 (a) SHORT TITLE.—This section may be cited as the
4 “End Big Oil Tax Subsidies Act of 2012”.

5 (b) AMORTIZATION OF GEOLOGICAL AND GEO-
6 PHYSICAL EXPENDITURES.—

7 (1) IN GENERAL.—Subparagraph (A) of section
8 167(h)(5) of the Internal Revenue Code of 1986 is
9 amended by striking “major integrated oil company”
10 and inserting “covered large oil company”.

11 (2) COVERED LARGE OIL COMPANY.—Para-
12 graph (5) of section 167(h) of such Code is amended
13 by redesignating subparagraph (B) as subparagraph
14 (C) and by inserting after subparagraph (A) the fol-
15 lowing new subparagraph:

16 “(B) COVERED LARGE OIL COMPANY.—
17 For purposes of this paragraph, the term ‘cov-

1 ered large oil company’ means a taxpayer
2 which—

3 “(i) is a major integrated oil com-
4 pany, or

5 “(ii) has gross receipts in excess of
6 \$50,000,000 for the taxable year.

7 For purposes of clause (ii), all persons treated
8 as a single employer under subsections (a) and
9 (b) of section 52 shall be treated as 1 person.”.

10 (3) CONFORMING AMENDMENT.—The heading
11 for paragraph (5) of section 167(h) of such Code is
12 amended by inserting “AND OTHER LARGE TAX-
13 PAYERS”.

14 (4) EFFECTIVE DATE.—The amendments made
15 by this subsection shall apply to amounts paid or in-
16 curred in taxable years beginning after December
17 31, 2012.

18 (c) PRODUCING OIL AND GAS FROM MARGINAL
19 WELLS.—

20 (1) IN GENERAL.—Section 45I of the Internal
21 Revenue Code of 1986 is amended by adding at the
22 end the following new subsection:

23 “(e) EXCEPTION FOR TAXPAYER WHO IS NOT
24 SMALL, INDEPENDENT OIL AND GAS COMPANY.—

1 “(1) IN GENERAL.—Subsection (a) shall not
2 apply to any taxpayer which is not a small, inde-
3 pendent oil and gas company for the taxable year.

4 “(2) AGGREGATION RULE.—For purposes of
5 paragraph (1), all persons treated as a single em-
6 ployer under subsections (a) and (b) of section 52
7 shall be treated as 1 person.”.

8 (2) EFFECTIVE DATE.—The amendment made
9 by paragraph (1) shall apply to credits determined
10 for taxable years beginning after December 31,
11 2012.

12 (d) ENHANCED OIL RECOVERY CREDIT.—

13 (1) IN GENERAL.—Section 43 of the Internal
14 Revenue Code of 1986 is amended by adding at the
15 end the following new subsection:

16 “(f) EXCEPTION FOR TAXPAYER WHO IS NOT
17 SMALL, INDEPENDENT OIL AND GAS COMPANY.—

18 “(1) IN GENERAL.—Subsection (a) shall not
19 apply to any taxpayer which is not a small, inde-
20 pendent oil and gas company for the taxable year.

21 “(2) AGGREGATION RULE.—For purposes of
22 paragraph (1), all persons treated as a single em-
23 ployer under subsections (a) and (b) of section 52
24 shall be treated as 1 person.”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to amounts paid or in-
3 curred in taxable years beginning after December
4 31, 2012.

5 (e) INTANGIBLE DRILLING AND DEVELOPMENT
6 COSTS IN THE CASE OF OIL AND GAS WELLS.—

7 (1) IN GENERAL.—Subsection (c) of section
8 263 of the Internal Revenue Code of 1986 is amend-
9 ed by adding at the end the following new sentence:
10 “‘This subsection shall not apply to amounts paid or
11 incurred by a taxpayer in any taxable year in which
12 such taxpayer is not a small, independent oil and
13 gas company, determined by deeming all persons
14 treated as a single employer under subsections (a)
15 and (b) of section 52 as 1 person.’”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by this subsection shall apply to amounts paid or in-
18 curred in taxable years beginning after December
19 31, 2012.

20 (f) PERCENTAGE DEPLETION.—

21 (1) IN GENERAL.—Section 613A of the Internal
22 Revenue Code of 1986 is amended by adding at the
23 end the following new subsection:

24 “(f) EXCEPTION FOR TAXPAYER WHO IS NOT
25 SMALL, INDEPENDENT OIL AND GAS COMPANY.—

1 “(1) IN GENERAL.—This section and section
2 611 shall not apply to any taxpayer which is not a
3 small, independent oil and gas company for the tax-
4 able year.

5 “(2) AGGREGATION RULE.—For purposes of
6 paragraph (1), all persons treated as a single em-
7 ployer under subsections (a) and (b) of section 52
8 shall be treated as 1 person.”.

9 (2) CONFORMING AMENDMENT.—Section
10 613A(c)(1) of such Code is amended by striking
11 “subsection (d)” and inserting “subsections (d) and
12 (f)”.

13 (3) EFFECTIVE DATE.—The amendment made
14 by this subsection shall apply to taxable years begin-
15 ning after December 31, 2012.

16 (g) TERTIARY INJECTANTS.—

17 (1) IN GENERAL.—Section 193 of the Internal
18 Revenue Code of 1986 is amended by adding at the
19 end the following new subsection:

20 “(d) EXCEPTION FOR TAXPAYER WHO IS NOT
21 SMALL, INDEPENDENT OIL AND GAS COMPANY.—

22 “(1) IN GENERAL.—Subsection (a) shall not
23 apply to any taxpayer which is not a small, inde-
24 pendent oil and gas company for the taxable year.

1 “(2) EXCEPTION FOR QUALIFIED CARBON DI-
2 OXIDE DISPOSED IN SECURE GEOLOGICAL STOR-
3 AGE.—Paragraph (1) shall not apply in the case of
4 any qualified tertiary injectant expense paid or in-
5 curred for any tertiary injectant is qualified carbon
6 dioxide (as defined in section 45Q(b)) which is dis-
7 posed of by the taxpayer in secure geological storage
8 (as defined by section 45Q(d)).

9 “(3) AGGREGATION RULE.—For purposes of
10 paragraph (1), all persons treated as a single em-
11 ployer under subsections (a) and (b) of section 52
12 shall be treated as 1 person.”.

13 (2) EFFECTIVE DATE.—The amendment made
14 by this subsection shall apply to expenses incurred
15 after December 31, 2012.

16 (h) PASSIVE ACTIVITY LOSSES AND CREDITS LIM-
17 ITED.—Paragraph (3) of section 469(c) of the Internal
18 Revenue Code of 1986 is amended by adding at the end
19 the following:

20 “(C) EXCEPTION FOR TAXPAYER WHO IS
21 NOT SMALL, INDEPENDENT OIL AND GAS COM-
22 PANY.—

23 “(i) IN GENERAL.—Subparagraph (A)
24 shall not apply to any taxpayer which is

1 not a small, independent oil and gas com-
2 pany for the taxable year.

3 “(ii) AGGREGATION RULE.—For pur-
4 poses of clause (i), all persons treated as
5 a single employer under subsections (a)
6 and (b) of section 52 shall be treated as 1
7 person.”.

8 (i) INCOME ATTRIBUTABLE TO DOMESTIC PRODUC-
9 TION ACTIVITIES.—

10 (1) IN GENERAL.—Section 199 of the Internal
11 Revenue Code of 1986 is amended by adding at the
12 end the following new subsection:

13 “(e) EXCEPTION FOR TAXPAYER WHO IS NOT
14 SMALL, INDEPENDENT OIL AND GAS COMPANY.—Sub-
15 section (a) shall not apply to the income derived from the
16 production, transportation, or distribution of oil, natural
17 gas, or any primary product (within the meaning of sub-
18 section (d)(9)) thereof by any taxpayer which for the tax-
19 able year is an oil and gas company which is not a small,
20 independent oil and gas company.”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this subsection shall apply to taxable years begin-
23 ning after December 31, 2012.

24 (j) PROHIBITION ON USING LAST-IN, FIRST-OUT AC-
25 COUNTING FOR MAJOR INTEGRATED OIL COMPANIES.—

1 (1) IN GENERAL.—Section 472 of the Internal
2 Revenue Code of 1986 is amended by adding at the
3 end the following new subsection:

4 “(h) MAJOR INTEGRATED OIL COMPANIES.—Not-
5 withstanding any other provision of this section, a major
6 integrated oil company (as defined in section 167(h)) may
7 not use the method provided in subsection (b) in
8 inventorying of any goods.”.

9 (2) EFFECTIVE DATE AND SPECIAL RULE.—

10 (A) IN GENERAL.—The amendment made
11 by paragraph (1) shall apply to taxable years
12 beginning after December 31, 2012.

13 (B) CHANGE IN METHOD OF ACCOUNT-
14 ING.—In the case of any taxpayer required by
15 the amendment made by this subsection to
16 change its method of accounting for its first
17 taxable year beginning after the date of the en-
18 actment of this Act—

19 (i) such change shall be treated as ini-
20 tiated by the taxpayer,

21 (ii) such change shall be treated as
22 made with the consent of the Secretary of
23 the Treasury, and

24 (iii) the net amount of the adjust-
25 ments required to be taken into account by

1 the taxpayer under section 481 of the In-
2 ternal Revenue Code of 1986 shall be
3 taken into account ratably over a period
4 (not greater than 8 taxable years) begin-
5 ning with such first taxable year.

6 (k) MODIFICATIONS OF FOREIGN TAX CREDIT
7 RULES APPLICABLE TO DUAL CAPACITY TAXPAYERS.—

8 (1) IN GENERAL.—Section 901 of the Internal
9 Revenue Code of 1986 is amended by redesignating
10 subsection (n) as subsection (o) and by inserting
11 after subsection (m) the following new subsection:

12 “(n) SPECIAL RULES RELATING TO DUAL CAPACITY
13 TAXPAYERS.—

14 “(1) GENERAL RULE.—Notwithstanding any
15 other provision of this chapter, any amount paid or
16 accrued by a dual capacity taxpayer to a foreign
17 country or possession of the United States for any
18 period with respect to combined foreign oil and gas
19 income (as defined in section 907(b)(1)) shall not be
20 considered a tax to the extent such amount exceeds
21 the amount (determined in accordance with regula-
22 tions) which would have been required to be paid if
23 the taxpayer were not a dual capacity taxpayer.

24 “(2) DUAL CAPACITY TAXPAYER.—For pur-
25 poses of this subsection, the term ‘dual capacity tax-

1 payer’ means, with respect to any foreign country or
2 possession of the United States, a person who—

3 “(A) is subject to a levy of such country or
4 possession, and

5 “(B) receives (or will receive) directly or
6 indirectly a specific economic benefit (as deter-
7 mined in accordance with regulations) from
8 such country or possession.”.

9 (2) EFFECTIVE DATE.—

10 (A) IN GENERAL.—The amendments made
11 by this subsection shall apply to taxes paid or
12 accrued in taxable years beginning after De-
13 cember 31, 2012.

14 (B) CONTRARY TREATY OBLIGATIONS
15 UPHELD.—The amendments made by this sub-
16 section shall not apply to the extent contrary to
17 any treaty obligation of the United States.

